THE INSTITUTIONALISATION OF SHORT-TERMISM IN NEW ZEALAND

A Multi-Sector Analysis of Policy Failure, 2023–2026

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Abstract

This paper examines the growing pattern of short-term decision-making across New Zealand's public and private institutions between 2023 and 2026. It analyses recent policy decisions and real-world outcomes in housing finance, local government reform, climate adaptation, artificial intelligence in the public service, and central government restructuring. The analysis identifies a consistent incentive structure that prioritises visible, short-term political and bureaucratic gains over long-term systemic resilience.

Key examples include the $86 million Whirinaki managed retreat, the $589 million Seascape developer insolvency, the weak Public Service AI Framework, the three-month deadline for local government reorganisation, and institutional responses that avoid dealing with systemic problems. The paper argues that short-termism has become institutionalised through artificial deadlines, non-binding frameworks, and accountability avoidance mechanisms. It concludes with targeted recommendations for structural reform to realign incentives with long-term national interest.

Update (25 May 2026): Since this paper was first drafted, the author has engaged directly with several mayors and business owners regarding these issues. Responses have been limited, and real-world conversations confirm that many experienced operators are observing the same patterns of short-term decision-making and institutional weakness described in this analysis.

1. Introduction

New Zealand faces a compounding crisis of institutional short-termism. Across multiple sectors, decision-makers repeatedly favour immediate political optics, fiscal containment, and bureaucratic convenience over durable, evidence-based policy. This pattern is not random or episodic; it is structural.

The 2023–2026 period has produced a cluster of high-profile failures that share a common denominator: the systematic prioritisation of short-term incentives at the expense of long-term resilience. Housing finance is contracting through blunt postcode and age-based lending rules. Local government faces artificial three-month deadlines for structural reform. Entire communities are being forced into managed retreat because of decades of deferred infrastructure maintenance. Artificial intelligence is being deployed in public services without meaningful oversight. Independent agencies are being disestablished under the banner of "efficiency."

This paper contends that these are not isolated policy failures. They are symptoms of a deeper incentive misalignment that has become embedded in New Zealand's political and bureaucratic culture. The result is a slow-motion erosion of housing affordability, regional resilience, institutional accountability, and intergenerational equity.

2. Theoretical Framework: Short-Termism as Institutional Pathology

Short-termism refers to the systematic preference for immediate, visible outcomes over long-term value creation, even when the long-term costs are known to be higher. In democratic systems with

three-year electoral cycles, this tendency is amplified by political incentives that reward visible action and punish delayed gratification.

In the New Zealand context, this dynamic is compounded by several structural factors: a highly centralised unitary state, a public service culture that rewards risk-aversion and fiscal containment, repeated external shocks that create opportunities for rushed decisions, and a political culture that avoids hard long-term choices.

The result is a governance model that excels at managing symptoms while systematically neglecting root causes — a pattern this paper terms “institutionalised short-termism.”

3. Case Studies

3.1 Housing Finance, Insurance Retreat, and Developer Insolvency

The interaction between insurance retreat and bank lending practices has created a de facto credit crunch for older residential properties. In Westport (postcode 7825) and Woodend, insurers have paused new policies, blocking mortgage approvals. Similar pressures exist in South Dunedin and Upper Hutt. Developer insolvencies have accelerated, with cases such as MGM Homes and the Seascape project creating hundreds of millions in liabilities. These outcomes stem from short-term risk management using blunt heuristics rather than proper assessment.

3.2 Local Government Reorganisation and Artificial Deadlines

On 5 May 2026, the Government issued a three-month ultimatum for territorial authorities to submit reorganisation proposals or face centrally imposed arrangements. This compressed timeline limits proper consultation and long-term planning. At the same time, communities like Whirinaki are undergoing managed retreat after decades of deferred infrastructure investment, highlighting the long-term costs of short-term decision-making.

3.3 Artificial Intelligence Governance: The “Pollyanna Policy”

The Public Service AI Framework has been criticised as overly optimistic and lacking enforceable rules. Despite low levels of AI usage and capability across the public service, the framework assumes agencies are ready to manage it responsibly. This reflects the same pattern of weak, non-binding approaches seen in other areas.

3.4 Central Bureaucratic Consolidation and the Erosion of Independent Oversight

Moves to disestablish independent agencies and fold them into larger ministries reduce oversight and disperse accountability at a time when long-term challenges require stronger institutional capacity.

3.5 Infrastructure Underfunding and Deferred Maintenance

A major and ongoing example of institutionalised short-termism is the chronic underfunding of infrastructure renewal. Te Waihanga (the New Zealand Infrastructure Commission) has repeatedly highlighted that New Zealand is significantly under-investing in the maintenance and renewal of existing assets. In many sectors, actual renewal spending sits well below what is required to maintain asset condition over time — often in the range of 30–50% of what is needed.

Depreciation funding, which is collected through rates and charges specifically to renew assets, is frequently not ring-fenced. Instead, it is used to subsidise operating budgets or new capital projects.

This practice has been enabled by weak accountability settings. Te Waihanga has noted that current “expectations” for agencies to properly fund renewals are routinely ignored because there are no strong consequences for non-compliance.

This underfunding is a textbook case of short-termism. By deferring maintenance and renewal, current decision-makers avoid difficult choices about rates or spending priorities. The costs are pushed into the future in the form of failing infrastructure, higher eventual repair bills, and reduced service levels. Communities such as Whirinaki are now facing the direct consequences of this decades-long deferral through managed retreat. The same pattern contributes to insurance retreat and lending barriers, as ageing and poorly maintained infrastructure increases physical risk.

This is not a funding shortage in the simple sense — it is a failure to protect and use existing funding streams for their intended long-term purpose.

4. Synthesis: The Common Denominator

Across all cases, five recurring mechanisms of institutionalised short-termism are evident:

1. Artificial deadlines that compress deliberation.
2. Non-binding frameworks and weak expectations that create the appearance of governance without real accountability.
3. Blunt heuristics that substitute for proper analysis.
4. Crisis exploitation to justify rushed structural change.
5. Institutional deflection that avoids dealing with systemic problems.

The chronic underfunding of infrastructure renewal fits clearly into mechanisms 2 and 5. Weak expectations from bodies like Te Waihanga are ignored, and the long-term costs are externalised onto future generations and affected communities.

5. Policy Implications and Recommendations

5.1 Infrastructure and Asset Renewal (Highest Priority)

- Legislate mandatory ring-fencing of depreciation funding for all central government agencies, Crown entities, and local authorities, with annual public reporting audited by Te Waihanga and tabled in Parliament.
- Establish a statutory Long-Term Infrastructure Resilience Commission with powers to review major capital proposals and renewal performance for intergenerational impact.
- Move from non-binding “expectations” on renewal funding to enforceable requirements with consequences for non-compliance.

5.2 Housing Finance and Risk Assessment

- Require banks and insurers to adopt property-specific risk assessment rather than blunt postcode or age-based rules.
- Create greater transparency around lending and insurance decisions on older properties.

5.3 Artificial Intelligence Governance

- Replace the current non-binding AI Framework with a statutory oversight body that has binding powers and requires proper risk assessment and staged rollout.

5.4 Local Government and Regional Voice

- Remove artificial deadlines from the reorganisation process.
- Require strong community boards with real delegated powers and protected funding in any new structures.
- Build in ratepayer protections and democratic checks (such as referenda for major changes).

5.5 Institutional Accountability

- Establish a Long-Term Fiscal and Resilience Commission with powers to review major policy proposals for long-term and intergenerational impacts.
- Reform response protocols so that systemic submissions receive substantive engagement rather than deflection.

6. Conclusion

New Zealand's current trajectory is not sustainable. The combination of short electoral cycles, extreme centralisation, and incentives that reward visible short-term action is producing repeated, predictable failures across housing, infrastructure, local democracy, and institutional capability.

The underfunding of infrastructure renewal is one of the clearest and most damaging examples. Decades of using depreciation funding for other purposes, enabled by weak accountability, have left communities exposed to higher long-term costs — including managed retreat. This is not an accident of funding; it is the direct result of institutionalised short-termism.

Until New Zealand confronts this underlying incentive problem directly, the country will continue to pay compounding long-term costs for the convenience of short-term decision-making. The warning signs are clear. The costs are already visible in failing infrastructure, insurance retreat, and reduced resilience. The question is whether there is the willingness to make the structural changes required before the damage becomes much harder to reverse.

Update (25 May 2026): Direct engagement with mayors and business owners since this paper was drafted confirms that many experienced operators are observing the same patterns of short-term decision-making, weak accountability, and deferred infrastructure costs described above. Responses from mayors have been limited, reinforcing the need for stronger structural safeguards.

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